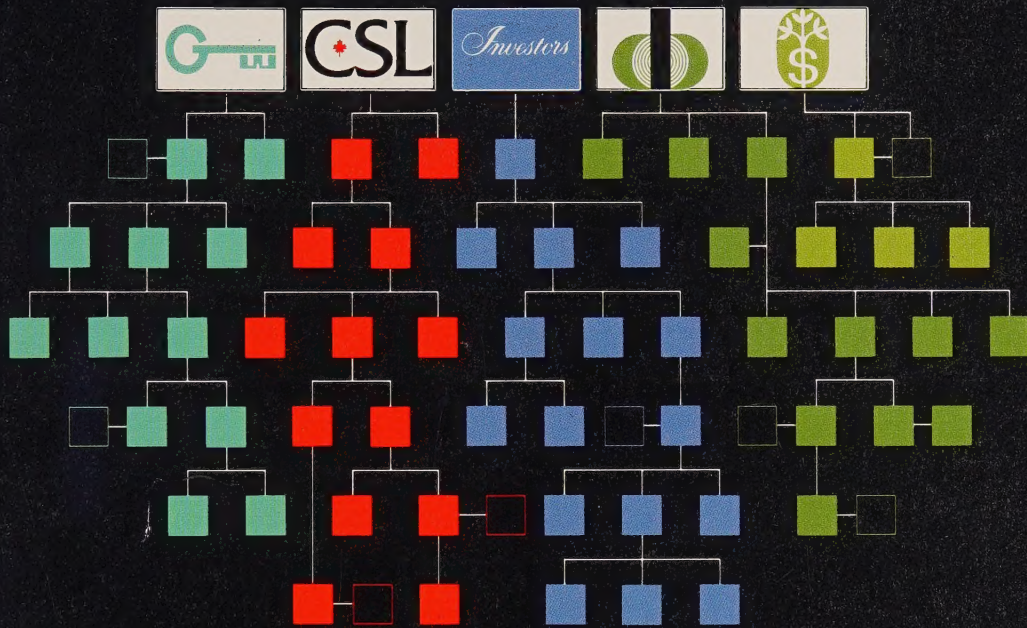






A stylized, high-contrast map of North America is shown on the left side of the page. The map is composed of large, solid-colored regions: a blue area in the northwest, a green area in the north-central part, a red area in the northeast, and a large yellow area covering the central and southern parts of the continent. The map is set against a black background. Numerous small, colored squares (red, green, blue, and yellow) are scattered across the map, primarily concentrated in the yellow region, representing the locations of corporate subsidiaries and affiliates. The text on the right side of the page provides context for these squares.

Power Corporation of Canada, Limited—a company with substantial interests in transportation, shipbuilding, financial services, forest products and packaging, and newspapers—is actively involved with the commercial and industrial life of North America and has interests, through subsidiaries and affiliates, elsewhere. The coloured squares represent the multitude of areas in both Canada and the United States where Power Corporation subsidiaries and affiliates maintain head offices, business offices, manufacturing facilities, terminals, shipyards, and commercial buildings.

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Financial Highlights

FOR THE YEAR ENDED DECEMBER 31

	1979	1978	1977
Gross revenue from operations.	\$326,285,000	\$ 300,276,000	\$270,805,000
Consolidated earnings before extraordinary items.	\$ 86,418,000	\$ 51,611,000	\$ 25,958,000
Extraordinary items.	\$ 11,939,000	\$ (9,085,000)	\$ (9,234,000)
Consolidated net earnings.	\$ 98,357,000	\$ 42,526,000	\$ 16,724,000
Provision for depreciation.	\$ 13,501,000	\$ 12,914,000	\$ 11,776,000
Cash flow from operations.	\$ 29,378,000	\$ 38,754,000	\$ 36,266,000
Earnings per 15¢ participating preferred and common share*			
—before extraordinary items.	\$ 3.35	\$ 1.97	\$ 0.92
—after extraordinary items.	\$ 3.82	\$ 1.61	\$ 0.54

*adjusted for the two-for-one subdivision effective June 15, 1979

AS AT DECEMBER 31

Working capital.	\$ 68,735,000	\$ 86,868,000	\$ 4,968,000
Investments.	\$460,306,000	\$ 426,214,000	\$368,446,000
Fixed assets—net.	\$149,768,000	\$ 132,404,000	\$143,176,000
Long-term debt.	\$219,184,000	\$ 232,896,000	\$101,325,000

Power Corporation of Canada, Limited

Directors' Report to Shareholders



The year 1979 marked record earnings for the Company in its 55th year of existence. The directors of your Company are pleased to submit the Annual Report together with the consolidated financial statements for the year ended December 31, 1979.

The consolidated earnings reached \$98,357,000 in 1979, compared with \$42,526,000 in the previous year, representing earnings per share of \$3.82, compared with \$1.61, after payment of non-participating dividends. These earnings include extraordinary gains of \$11,939,000 in 1979 and charges of \$9,085,000 in 1978, representing a gain of 47 cents and a charge of 36 cents per share, respectively.

During 1979, the participating preferred and common shares were each subdivided into two shares and, on that basis, the dividends for 1979 were 70 cents per share, compared with the equivalent of 30 cents per share in 1978. For the first quarter of 1980, the dividend was increased from 20 cents to 25 cents per share.

Gross revenue from The CSL Group Inc., the Company's wholly-owned transportation and shipbuilding affiliate, reached \$326,285,000, compared with \$300,276,000 in 1978, and earnings before interest, depreciation and income taxes were \$28,957,000 in 1979 and \$29,506,000 in 1978. With its highly diversified transportation and shipbuilding interests, the Company's results overall were quite satisfactory, with improvement in the water transportation, shipbuilding and trucking divisions, while bus operations were seriously affected by labour disruptions and the continuation of VIA Rail's heavily subsidized tariff policy.

The largest part of your Company's reported earnings is



attributable to its share of the earnings, before extraordinary items, of its subsidiaries and affiliates: for 1979, this was \$86,726,000, compared with \$48,995,000 in 1978.

The Investors Group, including its share of the earnings of The Great-West Life Assurance Company and Montreal Trust Company, accounted for \$49,365,000 of your Company's earnings. These companies, as a

group, have shown dramatic growth and profitability in most of their operations, because of the continuing high demand for their products and services and their demonstrated capacity to meet changing market requirements.

The Company's share of Consolidated-Bathurst Inc.'s earnings was \$35,501,000. The pulp and paper products, particularly, have benefited from

record sales and from the rate of exchange of the Canadian dollar in their export business, while reaping the benefits of earlier capital investment decisions to improve the productivity and capacity of their manufacturing assets.

Finally, Gesca Ltée, whose earnings are consolidated with those of your Company, made a contribution of \$1,860,000 for 1979. The newspaper group improved its results in its first complete year of operation since the 1977-78 strike at La Presse.

It should be noted, in connection with your Company's reported results, that the income taxes payable relate to the taxable income of its fully consolidated transportation and ship-building activities; the Company's share of the earnings of its other subsidiaries and affiliates is net of the taxes paid by those companies.

It is of course difficult to predict the effects of continuing inflation and fast-climbing interest rates, or to forecast the future direction of these determining factors. However, the directors of your Company are confident that Power Corporation's diversified holdings, its financial strength as illustrated in its balance sheet,

the quality of management in its affiliated companies, their continued effort to further improve their performance, and their proven ability to adapt to the realities of their changing environment, should ensure continued progress in the coming years.

During 1979, Mr. William E. Simon, a financial consultant and former Secretary of the U.S. Treasury, and Mr. Gérard Eskenazi, Managing Director of Compagnie Financière de Paris et des Pays-Bas, joined your Company's board of directors.

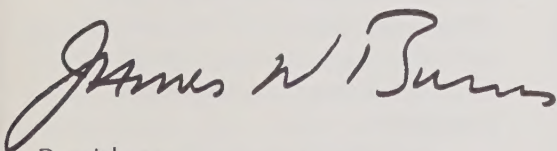
Also during the year, the board accepted with regret the resignation of Mr. Pierre Moussa, due to his increasingly time consuming responsibilities as president of Compagnie Financière de Paris et des Pays-Bas.

After serving as a director for more than ten years, Mr. Alfredo Campo has reached the retirement age stipulated in the by-laws of your Company. Consequently, he will not stand for re-election at the Annual Meeting of Shareholders of May 2, 1980. Throughout his term on the board, and notably as a member of the Audit Committee, Mr. Campo always represented the Company's shareholders with the highest degree of professionalism, and, on your behalf, we wish him a long and happy retirement.

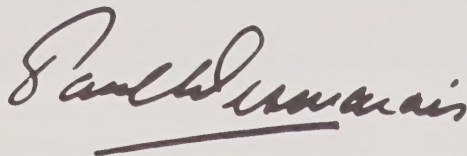
At a recent meeting, the directors appointed Mr. A. F. Knowles as Senior Vice-President and Mr. Frederick D. Sneider as a Vice-President of your Company. Mr. Knowles has been associated with Power Corporation since 1964, and will continue his responsibility for the overall management of your Company's financial resources. Mr. Sneider, who joined your Company in 1979, after a career with large U.S.-based international companies, will have responsibilities in the development and coordination of long-range plans for your Company.

The directors wish to express their appreciation of the services rendered by the officers and staff during the year.

On behalf of the Board,



President



Chairman and Chief Executive Officer

Montréal, Québec, March 12, 1980

Transportation and Shipbuilding



The CSL Group Inc.

The CSL Group Inc. today manages on behalf of Power Corporation of Canada, Limited one of the largest transportation organizations in Canada.

It is a major mover of raw materials, finished goods, grain, industrial equipment, and people. Growth of the CSL Group over more than a century parallels that of Canada, and has contributed significantly to the steady development of our nation.

Shipbuilding, trucking, heavy hauling, inland water transportation, and passenger services have over the years grown steadily within the CSL Group. Growth in the 1980's will see the operation of self-unloading bulk carriers with ocean-going capability as well as deep-sea services.

Power Corporation of Canada, Limited acquired control of Canada Steamship Lines in 1969 and, in a general consolidation program in 1975, enfolded it under the new name Canada Steamship Lines (1975) Limited, with the latter managing all the CSL affiliates for the parent company.

In 1980, Canada Steamship Lines (1975) Limited was renamed The CSL Group Inc.

The Group has an experienced personnel of more than 6,000, and



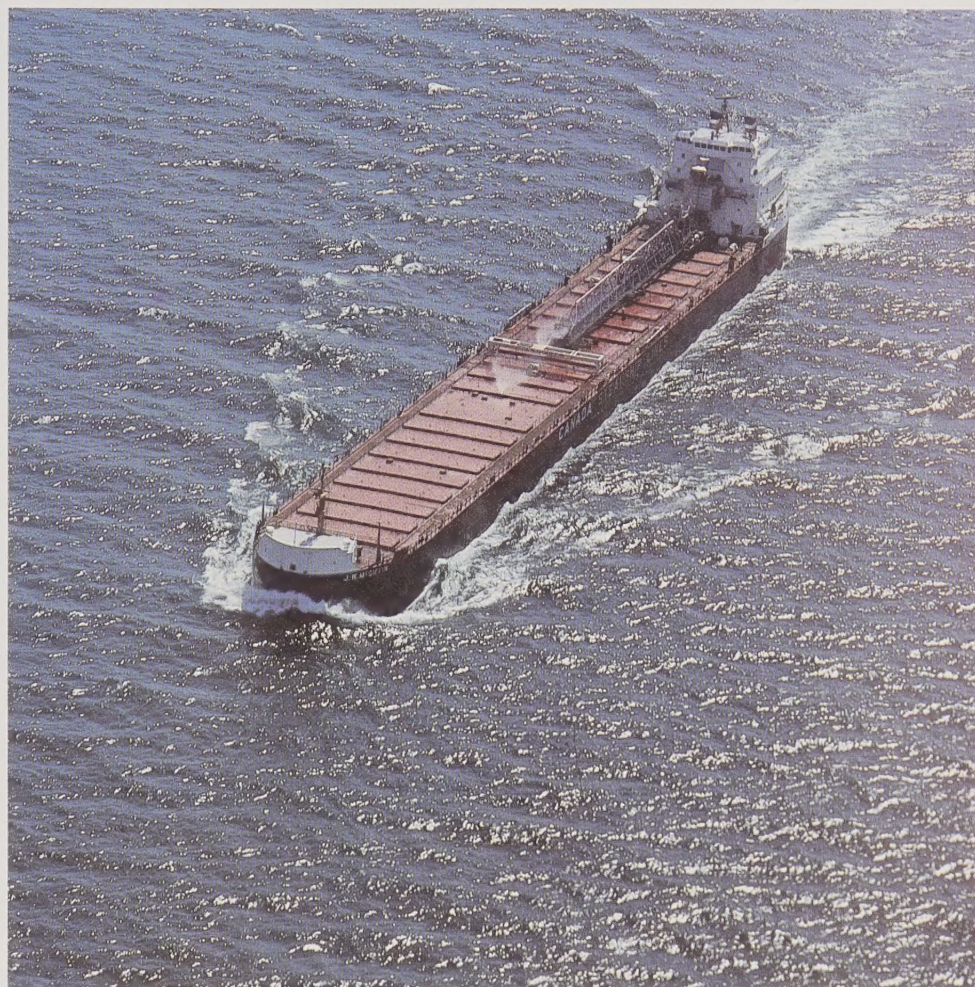
it is one of the largest employers of specialized skills in Canada.

Since transportation of people and products from one point to another has always been a key to the prosperity of this continent and, in particular, a sector of crucial economic importance to Canada and Canadians, the Group's contribution to the science of ever more efficient transportation modes represents a vital asset to the economy of this nation.

Gross revenue from operations for 1979 amounted to \$326,285,000, 9% higher than 1978. Earnings from operations before interest, depreciation and income taxes amounted to \$28,957,000 compared to \$29,506,000 in 1978 as a result of a strike in the bus transportation division which more than offset improved earnings in shipping, trucking and the shipbuilding and ship repairing divisions.

Its five major affiliates in transportation, shipbuilding and ship repairs, and management consulting services, and their capabilities and variety of expert service available are recorded as follows:

Canada Steamship Lines Inc., the water transportation company in the Group—with Bulk Freight,



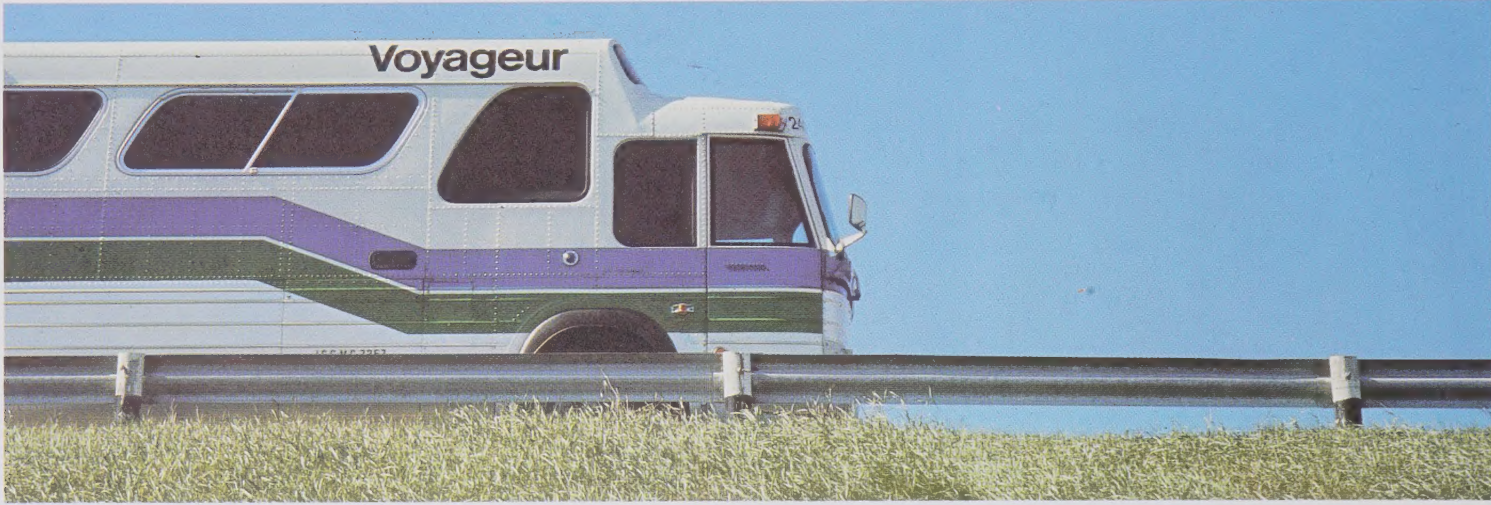
Package Freight, SSF Distribution Inc. (rail freight forwarders) and Quebec Tugs Limited as affiliates—operates a fleet of 41 vessels, including bulk carriers, self-unloaders, cement carriers, general cargo ships, five tugs (one with deep-sea capability) and a Port of Quebec bunkering barge. The fleet—with a total capacity of more than 650,000 tons—is Canada's largest in terms of tonnage and units, and operates throughout the Great Lakes, the Seaway system, the St. Lawrence and the Gulf, Canadian coastal waters and into the high Arctic and across the Atlantic.

Gross revenue from Water Transportation increased 17% from \$107.1 million in 1978 to

\$125.9 million in 1979.

Canadian Shipbuilding & Engineering Limited operates two major shipyards—Collingwood Shipyard in Collingwood, Ont., and Port Arthur Shipyard at Thunder Bay, Ont. The Collingwood Shipyard, established in 1882, has built more than 200 ships including trawlers, warships, passenger vessels, tugs, dredgers, ferries and its now-famous Great Lakes' bulk carriers and self-unloaders. The Port Arthur Shipyard, founded in 1909, is a major marine repair and conversion facility.

Gross revenue in 1979 was \$35.3 million compared to \$41.6 million in 1978. In 1979 one maximum seaway-size self-unloader was delivered to an



outside customer.

Kingsway Transports Limited is one of the largest regulated common carriers in Canada. The company, with more than 1,900 units operating throughout a 40,000-mile route system, operates divisions in LTL and TL freight, small packages and heavy haulage as well as wholesale truck parts. Its subsidiaries include Bennet & Elliott, Brocklesby Transport, Kingsway Freightlines, Kingsway Transports, Kourier and Servall Transport.

Gross revenue increased 24% from \$81.4 million in 1978 to \$101.0 million in 1979.

Voyageur Enterprises Limited is the inter-city bus affiliate of the CSL Group. Its various divisions also handle inter-city parcel express delivery service, and a super luxury service between Montreal and Quebec City called "Le Grand Express". Operations also include packaged tours and a bus chartering service. Voyageur is Canada's largest domestically-owned interurban bus service with more than 1,200 employees, 300 agent points and a fleet of over 400 luxury, climate-controlled coaches operating on over 50 scheduled routes throughout Quebec and Eastern Ontario.



It carries in excess of 7,000,000 passengers over more than 30,000,000 miles each year and connects at key points with other inter-city bus lines to provide a transcontinental service. Its operations include Voyageur, Voyageur Colonial, Voyageur Tours and Parbus.

In 1979 Voyageur's gross revenue recorded a decrease of \$6.4 million to \$60.2 million as a result of labour disputes during the year, including a strike by one of the Quebec bargaining units which lasted until April 1979.

Transportation related and other miscellaneous operations had gross revenue of \$3.9 million in 1979. Among these, **Interkan Logistical Services Limited** provides management consulting services on matters relating to transportation, distribution and warehousing for a wide range of clients. It combines the professional expertise of consultants

with the experience of personnel in all divisions of the CSL Group to assist companies in the development and improvement of their logistical services.



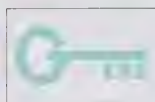
The Investors Group

The Investors Group is a financial services holding company. Through its principal operating companies, it provides a broad range of financial services to individuals and corporations. Investors Syndicate, Investors Securities Management, Investors Group Trust and Investors Syndicate Realty offer a wide choice of investment contracts, investment funds, registered retirement savings plans, pension services and mortgage facilities.

Its associated companies—The Great-West Life Assurance Company and Montreal Trust Company—offer, respectively, a full line of individual and group life insurance products and a complete range of personal and corporate trust services. In short, the business of Investors is to encourage the accumulation and investment of capital.

Each of the principal operating companies of The Investors Group is a financial intermediary channelling the savings of individual clients into productive investment. From this source, Investors provides capital to both private and public sectors and contributes to the creation of productive facilities and employment opportunities in Canada.

The Investors companies are a significant force in the Canadian securities markets, and mortgage operations make a meaningful contribution to meeting the



housing needs of Canadians.

Distribution of the financial and planning services offered by Investors is effected through the full-time sales force of Investors Syndicate consisting of some 700 sales representatives located at 48 offices across Canada. These sales representatives have available a full range of savings, investment and insurance products from which to recommend financial programs related to the personal circumstances and individual objectives of their clients.

In its investment fund operations, Investors is the largest private concern in Canada with net assets under management at December 31, 1979 of \$1,006,784,000. Similarly, Investors is the largest investment contract company in Canada with reserves supporting investment contracts amounting to \$704,696,000 at December 31, 1979.

Total assets under administration, exclusive of the Company's interests in Great-West Life and Montreal Trust, approximate \$2,480,000,000.

The Company's consolidated net operating income for 1979 was \$54,796,000, a substantial increase over the \$35,665,000 recorded in 1978. After allowing for preferred dividends, earnings per share were \$3.83 in 1979 and \$2.57 in 1978. Consolidated net income after extraordinary items was \$62,873,000 or \$4.45 per share in 1979, compared with \$35,055,000, or \$2.52 per share in the previous year.

During the year, dividends totalling 77½ cents per share were paid on the Company's classes of common shares, compared with \$0.50 in 1978.

The Great-West Life Assurance Company

Great-West Life is an international company, serving the life and



health insurance needs of more than two million policyholders across North America.

Established in Winnipeg in 1891, the Company has pursued a progressive policy of development and has zealously guarded its reputation for low net cost insurance and liberal benefits for policyowners, while at the same time maintaining a sound financial position.

The Company offers a very wide selection of life, health and annuity policies on both an individual and group basis for personal security and family protection. In addition, the many requirements of business organizations are served by a comprehensive range of employee benefits and business insurance plans.

Great-West Life is the 14th largest life insurance company in North America with more than \$57 billion of life insurance and annuity business in force. Health insurance business in force, in terms of gross annualized premiums, stood at \$523 million at December 31, 1979, and total assets increased by 19 per cent during the year, to \$4,396,000,000.





The Company's premium income from all business topped the billion dollar mark for the first time in 1978 and, in 1979, reached \$1.2 billion, up 21 per cent from the previous year. In addition, its very extensive investment program generated net investment income of \$345 million in 1979 compared with \$269 million in 1978. The largest part of the Company's income is paid out or credited to policyholders and their beneficiaries, totalling \$1.3 billion for 1979. Net income from operations attributed to shareholders amounted to \$40.4 million, representing \$20.20 per share compared with \$16.92 in 1978, an increase of 19 per cent. Dividends paid per share in 1979 amounted to \$5.60 compared with \$3.42 in 1978.

Sales in 1979 of life insurance and annuities reached a new record high for the Company, totalling \$11.5 billion (amount of life insurance and maturity value of annuity plans issued during the year) up 42 per cent over 1978 with sales virtually the same in the two regions of Canada and the United States. Health insurance sales amounted to \$158 million of which 47 per cent came from Canada and 53 per cent from the United States.

Great-West Life has 196 marketing, benefit payment and property investment offices doing business in all 10 provinces and

47 American states plus the District of Columbia. It has more than 800 full-time sales representatives, 1,000 management and service personnel in field offices, and about 1,800 employees at its Winnipeg Head Office.

Plans for the construction of a new corporate headquarters adjacent to the present head office building in Winnipeg were announced in September, 1979. At the same time, the Company's operations were formally organized in two distinct regions: Canada and the United States.

This represented a further step in the development of the Company's expanding operations in both Canada and the United States and more adequately recognized the increasingly complex and different environments characteristic of the two countries.

Montreal Trust Company

Montreal Trust is one of Canada's leading full service trust companies. Since its inception, some 90 years ago, the company has provided a wide range of financial and fiduciary services to both individuals and corporations.

The fiduciary aspects are an important source of fee and commission income. Because of the Company's acknowledged strengths in this area, Montreal Trust is committed to developing its fiduciary services in the future.

Montreal Trust is a recognized leader in providing corporate





clients with Stock and Bond Transfer services; in acting as trustee for more than \$12 billion in corporate debt issues; and in providing Pension Services, where Montreal Trust manages and administers in excess of \$4 billion for its clients.

Estate, Trust and Agency services are provided to individual customers through Personal Trust operations. Over \$10 million in fee and commission income was received in 1979 from fiduciary services such as administering the distribution of estates, investment

management, security safekeeping and will and estate planning.

Montreal Trust also offers a wide range of investment management and custodial services to individuals, including a selection of funds for tax-sheltering purposes on either a pooled or individual basis. Among these are Registered Retirement and Home Ownership Savings Plans and Deferred Profit Sharing Plans.

Included in fees and commissions is the revenue derived from Real Estate operations which, in addition to sales to Canadian families, provides specialized services such as Home Relocation, Mortgage Brokerage and Property Management.

Its financial intermediary operations offer a wide range of services. Montreal Trust has more than \$1.1 billion in customer deposits. These funds, together with those of investor clients, are primarily invested in residential mortgages. Montreal Trust currently administers more than \$2 billion in total mortgages, including over 45,000 individual mortgage loans.

The recent steady progress in earnings was interrupted in 1979, largely in consequence of record high levels of interest rates affecting earnings from the financial intermediary operations, and a sizeable increase in expense, principally related to the acquisition of new fiduciary business which should benefit earnings in 1980 and beyond.

Net operating income for the year was \$5,991,000 or \$2.32 per share and net income was \$6,329,000, or \$2.45 per share. The comparative figures for 1978 were \$2.73 and \$2.75, respectively. Dividends paid during the year were \$1.00 per share, the same rate that was paid in 1978.



Consolidated-Bathurst Inc.

Consolidated-Bathurst Inc. is the forest products and packaging affiliate of Power Corporation of Canada, Limited, which owns 38 per cent of its outstanding common shares. The Company operates in two broad business areas and is organized accordingly.

The larger segment in terms of assets and earnings is Consolidated-Bathurst's Pulp & Paper Group, with seven mills and five sawmills and extensive wood harvesting and purchasing operations in Eastern Canada. In 1979, Consolidated-Bathurst produced 1,021,000 tons of newsprint for newspapers and commercial printers, some 62 per cent of it going to the United States market.

Five woodlands divisions delivered 230 million cubic feet of wood fibre from the forests of Quebec, New Brunswick and Ontario to the Group's primary mills which also manufactured 680,000 tons of other pulp and paper product, and 129 million fbm of pine and spruce lumber.

More widely dispersed in location, diversified in product, and the larger in sales revenue, the Company's Packaging Group consists of three basic companies. Consolidated-Bathurst Packaging Limited has two divisions that



operate four bag and eight container plants in various locations across Canada. Domglas Inc. is Canada's largest manufacturer of glass containers and has a plastic container subsidiary and a table glassware affiliate. The third subsidiary, Europa Carton AG, has two mills and 13 plants across the Federal Republic of Germany, which make it the largest manufacturer of folding cartons and corrugated containers in that country.

Now in its 49th year of operation, the Company's diversification into packaging, begun in 1960 when it acquired several plants producing multiwall paper bags, was extended with its merger with Bathurst Paper during 1967. It purchased Europa Carton AG late in 1967 and control of Domglas in 1973.

Part of the packaging business relates to that of pulp and paper as many Consolidated-Bathurst bags and boxes are produced with kraft papers and containerboards made at Company mills. The packaging business, a bellwether of economic conditions, continues to diversify as a counterpoise to the highly cyclical, export-oriented pulp and paper operations.

Both businesses, in markets at home or abroad, serve other enterprises rather than consumers. They are increasingly oriented toward more exacting printing, design and promotional techniques and the market exigencies that dictate strong emphasis on capital expenditures for modernization and the increasingly sophisticated equipment that should enable the Company to compete effectively on a world scale.

A growing area of concern in operations has been that of energy. In addition to its own



closer control of energy uses, the Company is currently allocating funds to broaden both the nature of its resource base and its business opportunities, through new investments in natural gas production and in equity participation in oil and gas production and exploration.

Consolidated-Bathurst's net sales in 1979 were \$1.244 billion and net earnings were \$102.8 million, or \$4.47 per share, based on record production, sales and shipments in all areas of the Company, excepting Domglas Inc. where results were adversely affected by labor problems early in the year. These earnings compare with \$60.7 million, representing \$2.67 per share, in 1978. As a reflection of improved earnings and cash flow, total dividends paid on common shares were increased to \$1.00 in 1979,



compared with \$0.75 in 1978.

Much of Consolidated-Bathurst's 1979 earnings performance is due to the high ranges of production capacity used to meet strong market demand. Compared to a basis with U.S. and Canadian dollars at parity, about 34 per cent of earnings before extraordinary credit may be attributed to the exchange benefit of export sales made in U.S. dollars. Markets for most products are expected to continue to be good through 1980, with potential problems related to the possible strengthening of the Canadian dollar, and the renewal of basic industry pulp and paper labor agreements that expire April 30, 1980.

FINANCIAL STATEMENTS



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Power Corporation of Canada, Limited

Consolidated Balance Sheet

As at December 31

ASSETS

1979

1978

CURRENT ASSETS

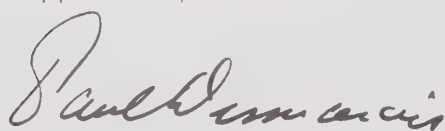
Cash and short-term investments.	\$ 87,616,000	\$ 87,982,000
Accounts receivable.	47,728,000	41,169,000
Inventories (note 2).	14,597,000	14,074,000
Prepaid expenses.	1,575,000	1,720,000
	151,516,000	144,945,000

INVESTMENTS

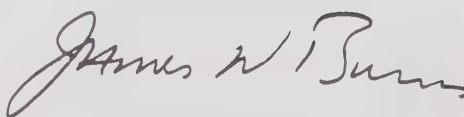
Subsidiary and affiliated companies at equity (note 3).	430,227,000	407,752,000
Other securities.	30,079,000	18,462,000
	460,306,000	426,214,000

FIXED ASSETS—AT COST (note 4).	304,206,000	280,112,000
Less: accumulated depreciation.	154,438,000	147,708,000
	149,768,000	132,404,000
	<u>\$761,590,000</u>	<u>\$703,563,000</u>

Approved by the Board of Directors



Director



Director

LIABILITIES

1979

1978

CURRENT LIABILITIES

Bank loans.	\$ 5,130,000	\$ 8,000,000
Accounts payable and accrued charges.	48,857,000	36,052,000
Progress payments and billings in excess of costs incurred on uncompleted contracts.	1,643,000	50,000
Income taxes payable.	10,971,000	931,000
Current portion of long-term debt.	16,180,000	13,044,000
	<u>82,781,000</u>	<u>58,077,000</u>

LONG-TERM DEBT (note 5).	219,184,000	232,896,000
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DEFERRED INCOME TAXES.	37,260,000	44,378,000
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PROVISIONS

Insurance losses, repairs and claims.	4,133,000	4,144,000
Deferred compensation.	577,000	629,000
Deferred income.		1,330,000
	<u>4,710,000</u>	<u>6,103,000</u>

SHAREHOLDERS' EQUITY

Capital stock—non-participating preferred (note 6).	20,135,000	21,720,000
—participating preferred (note 6).	18,074,000	18,074,000
—common (note 6).	159,865,000	159,865,000
Retained earnings.	219,581,000	162,450,000
	<u>417,655,000</u>	<u>362,109,000</u>
	<u>\$761,590,000</u>	<u>\$703,563,000</u>

Power Corporation of Canada, Limited

Statement of Consolidated Earnings

For the year ended December 31

	1979	1978
Gross revenue from operations (note 4).	<u>\$326,285,000</u>	<u>\$300,276,000</u>
Earnings from operations.	\$ 28,957,000	\$ 29,506,000
Share of earnings of subsidiary and affiliated companies (note 3).	86,726,000	48,995,000
Income from investments.	11,173,000	6,387,000
	<u>126,856,000</u>	<u>84,888,000</u>
Interest on long-term debt.	19,945,000	15,327,000
Provision for depreciation.	13,501,000	12,914,000
Provision for income taxes.	6,992,000	5,036,000
	<u>40,438,000</u>	<u>33,277,000</u>
Earnings before extraordinary items.	86,418,000	51,611,000
Extraordinary items (note 7).	11,939,000	(9,085,000)
Net earnings.	<u>\$ 98,357,000</u>	<u>\$ 42,526,000</u>
Earnings per 15¢ participating preferred and common share*		
—before extraordinary items.	\$ 3.35	\$ 1.97
—after extraordinary items.	\$ 3.82	\$ 1.61

*adjusted for the two-for-one subdivision effective June 15, 1979

Statement of Consolidated Retained Earnings

For the year ended December 31

	1979	1978
Retained earnings beginning of year.	\$162,450,000	\$228,975,000
Adjustment resulting from change to new basis of accounting by The Great-West Life Assurance Company.		5,424,000
	<u>162,450,000</u>	<u>234,399,000</u>
Add:		
Net earnings.	98,357,000	42,526,000
Gain on preferred shares purchased for cancellation.	436,000	452,000
	<u>261,243,000</u>	<u>277,377,000</u>
Deduct:		
Dividends		
Non-participating preferred shares.	975,000	1,367,000
Participating preferred shares.	1,947,000	834,000
Common shares.	15,916,000	6,753,000
Share of net charges to retained earnings of subsidiary and affiliated companies (note 3).	22,824,000	3,901,000
Transfer to capital stock.		102,072,000
	<u>41,662,000</u>	<u>114,927,000</u>
Retained earnings end of year.	<u>\$219,581,000</u>	<u>\$162,450,000</u>

Statement of Changes in Consolidated Financial Position

For the year ended December 31

	1979	1978
SOURCE OF FUNDS		
From operations		
Earnings before extraordinary items.	\$ 86,418,000	\$ 51,611,000
Non cash charges (credits)		
Provision for depreciation.	13,501,000	12,914,000
Deferred income taxes.	(3,373,000)	3,889,000
Earnings not received in cash.	(67,168,000)	(29,660,000)
	<u>29,378,000</u>	<u>38,754,000</u>
Disposal of fixed assets.	3,306,000	4,016,000
Disposal of investments.	32,618,000	75,195,000
Decrease in advances to trustees of share purchase plans. . . .		3,297,000
Issue of long-term debt.	2,658,000	162,800,000
	<u>67,960,000</u>	<u>284,062,000</u>
USE OF FUNDS		
Additions to fixed assets.	31,328,000	4,295,000
Purchase of investments.	14,958,000	115,089,000
Reduction of long-term debt.	16,370,000	31,229,000
Redemption of preferred shares series A.	229,000	39,001,000
Acquisition of 4¾% preferred shares for cancellation.	920,000	944,000
Dividends—non-participating preferred shares.	975,000	1,367,000
—participating preferred shares.	1,947,000	834,000
—common shares.	15,916,000	6,753,000
Miscellaneous.	3,450,000	2,650,000
	<u>86,093,000</u>	<u>202,162,000</u>
DECREASE (INCREASE) IN WORKING CAPITAL.	<u>\$ (18,133,000)</u>	<u>\$ 81,900,000</u>

Power Corporation of Canada, Limited

Notes to Consolidated Financial Statements

December 31, 1979

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions are eliminated.

Investments in other subsidiary and affiliated companies are accounted for on the equity basis. A full consolidation of the financial statements of Power Corporation and its subsidiary companies has not been prepared as such statements would not present fairly the financial position of the Company. Financial statements of the major non-consolidated subsidiary and affiliated companies are presented on pages 23 to 38 of this Report.

The difference between the cost of the investment in companies accounted for on the equity basis and the book value of the underlying net assets at the dates of acquisition is included in the carrying value of these investments.

Inventory Valuation

Shipyard contracts are accounted for on the "completed contract" basis whereby gross revenue and earnings are recognized when the contracts are completed. During the construction period, shipyard work-in-progress is accounted for at cost less allowance for losses on uncompleted contracts.

Inventories of stores and supplies are carried at the lower of cost and replacement cost.

Investments

Investments in other securities are stated at cost less write downs.

Fixed Assets and Depreciation

Fixed assets are stated at cost. The cost and related accumulated depreciation of items retired or disposed of are removed from the books and any gains or losses are included in the statement of consolidated earnings.

Vessels are depreciated on a straight-line basis on estimated useful lives of from 20 to 25 years. Land transportation revenue equipment is depreciated on estimated useful life of from 5 to 10 years. The majority of the remaining assets are depreciated at the maximum rates permitted for income tax purposes.

Leases

All leases entered into after December 31, 1978 are classified as capital or operating leases as appropriate. Assets recorded under capital leases are depreciated on the same basis as Company-owned assets. Obligations recorded under capital leases are reduced by rental payments net of imputed interest expense.

Maintenance and Repairs

Maintenance and repairs are charged to expenses as incurred. Expenditures which result in a material enhancement of the value of the assets involved are treated as additions to fixed assets.

Income Taxes

The Company follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred mainly in respect of capital cost allowance claimed in excess of depreciation charged in the accounts.

Pensions

The Company and its wholly-owned subsidiaries have pension plans for employees, which are being funded, and the current service cost portion is charged to earnings as incurred. Any unfunded liability is being amortized in accordance with government regulations.

Note 2. Inventories

	Thousands			
		1979		1978
Shipyard work-in-progress.		\$23,978		\$12,681
Progress payments and billings on uncompleted shipyard work . . .	\$16,610		\$ 3,343	
Less: Progress payments and billings in excess of costs incurred on uncompleted contracts included in current liabilities.	1,643	14,967	50	3,293
		9,011		9,388
Inventories of stores and supplies.		5,586		4,686
		<u>\$14,597</u>		<u>\$14,074</u>

Note 3.
Subsidiary and Affiliated Companies at Equity

	Subsidiaries			Affiliates		
	Laurentide Financial Corporation Ltd.	The Investors Group	Other	Consolidated- Bathurst Inc.	Gesca Ltée	Total
Voting shares.	n/a	99.2%	n/a	37.7%	n/a	n/a
Equity interest.	n/a	96.5%	n/a	37.7%	100%	n/a
	Thousands					
Carrying value:						
December 31, 1978.	\$28,242	\$213,256	\$ 1,791	\$147,409	\$17,054	\$407,752
Exchanged for new preferred shares	(28,242) ^(a)					(28,242)
Additional investments.		956	783			1,739
Share of earnings.		49,365 ^(b)		35,501	1,860	86,726
Share of extraordinary items.		7,740		1,663	547	9,950
Share of charges to retained earnings.		(22,041)			(783)	(22,824)
Reduction of investments.			(824)		(2,742)	(3,566)
Write down of investment.			(1,750)			(1,750)
Dividends received.		(11,244)		(8,314)		(19,558)
December 31, 1979.	<u>\$ —</u>	<u>\$238,032^(c)</u>	<u>\$ —</u>	<u>\$176,259^(d)</u>	<u>\$15,936^(e)</u>	<u>\$430,227</u>
Share of equity December 31, 1979.	<u>\$ —</u>	<u>\$222,540^(c)</u>	<u>\$ —</u>	<u>\$136,160^(d)</u>	<u>\$ 8,152^(e)</u>	<u>\$366,852</u>

(a) Included with Other Securities.

(b) Includes \$37,275,000 share of earnings, before deduction of carrying charges, derived from The Great-West Life Assurance Company, a subsidiary of The Investors Group, whose financial statements have been prepared on the basis of requirements of the Department of Insurance of Canada. (Reference is made to Note 1 to Financial

Statements of The Great-West Life Assurance Company on page 34 for a description of significant accounting practices).

(c) Includes 1,062,250 5% cumulative redeemable preferred shares, 1969 Series.

(d) Includes debentures of \$990,000.

(e) Includes advances of \$335,000.

Note 4.
Fixed Assets and Gross Revenue

Major classifications by industry of fixed assets and gross revenue are as follows:

	Thousands				
	Fixed Assets			Gross Revenue	
	Cost	Net Book Value			
	1979	1979	1978	1979	1978
Water Transportation.	\$214,053	\$103,622	\$ 94,532	\$125,851	\$107,125
Shipbuilding.	14,098	4,244	3,618	35,321	41,563
Land Transportation.	65,918	38,643	31,834	161,203	148,036
Other.	10,137	3,259	2,420	3,910	3,552
	<u>\$304,206</u>	<u>\$149,768</u>	<u>\$132,404</u>	<u>\$326,285</u>	<u>\$300,276</u>

Fixed assets, in 1979, include assets recorded under capital leases as follows:
cost \$2,658,000 and net book value \$2,481,000.

Power Corporation of Canada, Limited

Notes to Consolidated Financial Statements

December 31, 1979

Note 5. Long-Term Debt

	Thousands	
	1979	1978
Two-year revolving bank loan bearing interest at the prime rate, extendible yearly, and convertible into a six-year term loan bearing interest at the prime rate plus $\frac{3}{8}\%$ and secured by certain investments.	\$ 15,000	\$
Term bank loans bearing interest at the prime rate plus 1%.		20,000
Income debentures maturing June 30, 1980 to December 31, 1987 bearing interest at half prime rate plus $1\frac{1}{8}\%$ to December 31, 1982 and from January 1, 1983 until maturity at half prime rate plus $1\frac{1}{2}\%$ and secured by ship mortgages.	50,000	50,000
Income debentures maturing June 30, 1980 to December 31, 1988 bearing interest at half prime rate plus $1\frac{1}{8}\%$ to December 31, 1982 and $1\frac{1}{2}\%$ from January 1, 1983 to December 31, 1988 and secured by certain investments.	105,450	110,100
Income debentures maturing June 30, 1985 bearing interest at half prime rate plus $1\frac{1}{2}\%$ to March 31, 1980, $1\frac{3}{4}\%$ from April 1, 1980 to March 31, 1982 and 2% from April 1, 1982 to June 30, 1985 and secured by certain investments.	52,500	52,500
Obligations under capital leases.	2,549	
Other at various rates from $8\frac{1}{4}\%$ to $11\frac{7}{8}\%$ maturing April 1, 1980 to June 1, 1991.	9,865	13,340
	<u>235,364</u>	<u>245,940</u>
Deduct: Instalments due within one year.	<u>16,180</u>	<u>13,044</u>
	<u>\$219,184</u>	<u>\$232,896</u>

Instalments due on long-term debt over the next five years are as follows: 1981—\$16,129,000; 1982—\$16,021,000; 1983—\$19,656,000; 1984—\$20,280,000; 1985—\$74,065,000.

Note 6. Capital Stock

	Thousands	
	1979	1978
Non-participating preferred shares		
First preferred shares of \$50 par value issuable in series (i)		
Authorized—1,802,693 shares		
Issued — 402,693 shares $4\frac{3}{4}\%$ cumulative redeemable 1965 series.	\$ 20,135	\$ 21,491
Second preferred shares of \$12 par value issuable in series (ii) (iii).		229
	<u>\$ 20,135</u>	<u>\$ 21,720</u>
Participating preferred shares		
15¢ participating preferred shares of \$6.50 par value (iii)		
Authorized—6,500,000 shares		
Issued — 2,780,674 shares.	\$ 18,074	\$ 18,074
Common shares without nominal or par value (iii)		
Authorized—60,000,000 shares		
Issued — 22,737,256 shares.	<u>\$159,865</u>	<u>\$159,865</u>

- (i) redeemable at \$50.50 plus accrued and unpaid dividends. During the year 27,125 shares were redeemed and cancelled. The Company, through a sinking fund, is committed to retire 26,500 such shares in each twelve-month period from May 1 to April 30.
- (ii) On March 30, 1979, 19,120 shares were redeemed.
- (iii) On May 28, 1979, the Company obtained supplementary letters patent:
 - (a) cancelling the Company's Second Preferred share capital;
 - (b) providing for the two-for-one subdivision of the

- Company's Common Shares without nominal or par value and Class PP Shares of the par value of \$13.00 each, and reclassifying the latter class into 15¢ Participating Preferred Shares of a par value of \$6.50 each, effective at the close of business on June 15, 1979;
- (c) and fixing the number of authorized 15¢ Participating Preferred Shares at 6,500,000 and the number of authorized Common Shares at 60,000,000.

Note 7.
Extraordinary Items

	Thousands	
	1979	1978
Write down of investments.	\$ (750)	\$ (8,400)
Gain on capital asset transactions, net of income taxes.	1,409	2,379
Company's share of extraordinary items of unconsolidated subsidiary and affiliated companies.	9,950	(3,064)
Deferred income realized.	1,330	
	<u>\$11,939</u>	<u>\$ (9,085)</u>

Note 8.
Commitments

a. Lease Commitments

The Company and its wholly-owned subsidiary companies charter vessels, and lease terminals, trucks and buses under long-term agreements. All agreements entered into by the companies prior to January 1, 1979 are accounted for as operating leases. All agreements entered into by the companies after December 31, 1978 are accounted for as capital leases or operating leases as appropriate. If those agreements, entered into by the companies prior to January 1, 1979 and which would have qualified as capital leases, were accounted for as capital leases, the following increase (decrease) in the amounts reflected in the Company's financial statements would take place:

	Thousands	
	1979	1978
Fixed assets—net book value. . .	\$36,590	\$43,080
Lease obligations—current. . . .	5,565	5,082
—non current.	39,030	44,595
Earnings before extraordinary items.	(711)	(989)
Earnings per 15¢ participating preferred and common share—before extraordinary items.	(2.8) ¢	(3.9) ¢

b. Pensions

Based on the latest actuarial valuations, the unfunded liabilities of the pension funds of the Company and its wholly-owned subsidiaries were estimated to be

Future minimum lease payments under capital leases, and operating leases that have initial or remaining terms of one year or more, consisted of the following amounts at December 31, 1979:

	Capital Leases		
	Prior to January 1, 1979	After December 31, 1978	Operating Leases
1980.	\$ 9,341,000	\$ 465,000	\$ 916,000
1981.	9,965,000	465,000	837,000
1982.	9,283,000	464,000	693,000
1983.	8,572,000	464,000	659,000
1984.	6,104,000	446,000	619,000
thereafter.	17,322,000	1,082,000	1,470,000
	60,587,000	3,386,000	<u>\$5,194,000</u>
Less: imputed interest.	15,992,000	837,000	
Present value of net minimum lease payments.	<u>\$44,595,000</u>	<u>\$2,549,000</u>	

\$4,200,000 at December 31, 1979 and are being amortized over periods of up to 14 years.

Power Corporation of Canada, Limited

Notes to Consolidated Financial Statements

December 31, 1979

Note 9. Remuneration of Directors and Officers

The remuneration received by Directors and Officers during the year ended December 31, 1979 was as follows:

from:	as Directors		as Officers	
	Number	Amount	Number	Amount
Power Corporation of Canada, Limited.	23*	\$205,900	10	\$994,600
from subsidiaries:				
The Investors Group.	7	27,100	2	190,000
Investors Group Trust Co. Ltd..	1	600		
The Great-West Life Assurance Company.	5	34,100	2	118,700
Montreal Trust Company.	5	29,700	1	152,500

*Includes 4 Officers

Auditors' Report

The Shareholders,
Power Corporation of Canada, Limited

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited as at December 31, 1979 and the statements of consolidated earnings, retained earnings, and changes in financial position for the year then ended. For Power Corporation of Canada, Limited and those companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For the companies ac-

counted for by the equity method, of which we are not the auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept the reports of the other auditors.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec, March 12, 1980.

Touche Ross & Co.
Chartered Accountants

The Investors Group

Consolidated Statement of Income

For the year ended December 31

INCOME	1979	1978
Investment income.	\$ 69,465,612	\$ 57,905,549
Service fees.	2,327,503	2,234,904
Management and distribution fees.	15,452,538	13,458,027
Trust services.	2,095,801	1,821,308
Share of earnings of unconsolidated subsidiaries		
The Great-West Life Assurance Company (note 3).	38,686,694	22,227,674
Montreal Trust Company (note 3).	3,017,462	3,548,483
	<u>131,045,610</u>	<u>101,195,945</u>
EXPENSES		
Interest on certificate liabilities.	26,056,249	23,105,943
Additional credits to certificates.	17,201,980	13,864,262
Certificate and service fee costs.	13,061,180	11,923,522
Management and distribution operating costs.	12,838,413	11,179,370
Trust services operating costs.	1,248,096	1,085,321
Interest on bank loans and debentures.	3,948,106	2,025,874
Provision for income taxes.	1,895,143	2,346,926
	<u>76,249,167</u>	<u>65,531,218</u>
Net operating income.	54,796,443	35,664,727
Extraordinary items (note 7).	8,076,252	(609,429)
Net income.	<u>\$ 62,872,695</u>	<u>\$ 35,055,298</u>
Earnings per share after deducting dividends on preferred stock		
— Net operating income.	\$ 3.83	\$ 2.57
— Net income.	\$ 4.45	\$ 2.52

Consolidated Statement of Retained Earnings

For the year ended December 31

	1979	1978
Balance at beginning of the year.	\$119,939,090	\$ 85,910,464
Adjustment resulting from change to new basis of accounting by The Great-West Life Assurance Company.		12,602,709
As adjusted.	<u>119,939,090</u>	<u>98,513,173</u>
Add (Deduct):		
Net income for the year.	62,872,695	35,055,298
Company's share of credits and charges recorded in retained earnings by The Great-West Life Assurance Company. . . .	(22,840,499)	(5,052,695)
Dividends—Preferred shares.	(5,211,223)	(2,192,409)
— Common shares.	(11,649,487)	(6,384,277)
Balance at end of the year.	<u>\$143,110,576</u>	<u>\$119,939,090</u>

The Investors Group

Consolidated Balance Sheet

As at December 31

ASSETS	1979	1978
CASH AND INVESTMENTS		
Cash and temporary investments.	\$ 38,258,603	\$ 20,472,423
Marketable securities—at cost and accrued income, market value \$215,516,681 (1978-\$227,842,130) (note 2).	230,105,087	226,461,642
First mortgages on real estate—at cost and accrued interest receivable.	491,278,709	446,229,594
Real estate—at cost less accumulated depreciation \$1,128,517 (1978-\$1,002,061).	6,764,927	6,448,178
Loans to certificate holders—not exceeding cash surrender values.	33,802,068	22,582,979
	800,209,394	722,194,816
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES		
The Great-West Life Assurance Company (note 3).	228,966,193	216,961,490
Montreal Trust Company (note 3).	36,888,785	35,011,989
OFFICE PREMISES—at cost less accumulated depreciation \$3,276,810 (1978-\$4,472,170).	4,789,647	4,348,987
ACCOUNTS AND NOTES RECEIVABLE.	2,614,854	1,630,486
INCOME TAXES RECOVERABLE.	1,231,323	2,655,992
OTHER ASSETS.	8,614,532	7,225,964
EXCESS OF COST OF SHARES OF CONSOLIDATED SUBSIDIARIES OVER BOOK VALUE OF NET ASSETS AT DATE OF ACQUISITION.	734,084	734,084
	\$1,084,048,812	\$990,763,808

Approved by the Board of Directors



Director



Director

LIABILITIES AND SHAREHOLDERS' EQUITY

1979

1978

CERTIFICATE AND CURRENT LIABILITIES

Certificate liabilities.	\$ 704,695,804	\$641,584,427
Provision for additional certificate credits.	9,522,427	8,023,814
Bank loan.		217,000
Tax deposits on mortgages.	15,435,663	13,678,400
Dividends payable.	3,638,277	2,021,509
Other liabilities.	7,979,219	7,308,773
	741,271,390	672,833,923

INCOME DEFERRED TO FUTURE YEARS.	2,316,772	907,233
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DEFERRED INCOME TAXES.	10,156,833	9,690,126
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9⅞% DEBENTURES, 1978 SERIES (note 5).	39,800,000	40,000,000
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SHAREHOLDERS' EQUITY

Capital stock (note 6)—Preferred.	92,178,800	92,406,500
—Common.	8,437,143	8,209,698
	100,615,943	100,616,198
Contributed surplus arising from premium on capital stock . . .	46,777,298	46,777,238
Retained earnings.	143,110,576	119,939,090
	290,503,817	267,332,526
	\$1,084,048,812	\$990,763,808

The Investors Group

Consolidated Statement of Changes in Financial Position

For the year ended December 31

SOURCE OF FUNDS

From Operations

	1979	1978
Net operating income.	\$ 54,796,443	\$ 35,664,727
Less share of earnings retained by unconsolidated subsidiaries.	29,680,211	20,350,688
	25,116,232	15,314,039
Add net non-cash charges to operations including deferred income taxes of \$466,707 (1978—\$548,339)..	717,418	1,638,281
Total funds from operations.	25,833,650	16,952,320
Interest and additional credits to certificates.	43,258,229	36,970,205
Certificate sales and collections.	131,945,893	133,343,028
Proceeds from securities transactions.	51,180,311	32,225,142
Mortgage principal collections and sales.	38,196,484	28,642,071
Net proceeds from issue of debentures and preferred shares...		99,193,773
Receipt of advances to trustee under employee stock purchase plan.		1,154,991
Miscellaneous.	2,110,535	37,497
	292,525,102	348,519,027

USE OF FUNDS

Certificate maturities and surrenders.	110,685,501	79,168,127
Loans to certificate holders.	11,119,089	3,443,249
Investments in marketable securities.	54,292,543	92,378,606
Investments in first mortgages.	81,323,370	66,824,579
Reduction of long-term debt.	200,000	
Increase in investment in The Great-West Life Assurance Company.	189,010	91,481,462
Net additions to real estate and fixed assets.	1,468,467	4,752,034
Decrease in bank loans.	217,000	1,783,000
Dividends paid.	15,243,942	8,599,275
	274,738,922	348,430,332

INCREASE IN CASH AND TEMPORARY INVESTMENTS.	\$ 17,786,180	\$ 88,695
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Notes to Consolidated Financial Statements

December 31, 1979

Note 1.

Statement of Accounting Policies

A description of those accounting policies which are considered important to an understanding of the accompanying financial statements is set out below.

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies except The Great-West Life Assurance Company and Montreal Trust Company. The assets and liabilities of these two companies are not consolidated in the balance sheet as they operate within regulated industries and it is not considered appropriate to consolidate in the circumstances. Financial statements of The Great-West Life Assurance Company and condensed financial statements of Montreal Trust Company are presented on pages 31 to 37.

All inter-company accounts and transactions have been eliminated in consolidation. The equity method of accounting has been used for the two non-consolidated subsidiaries.

Marketable Securities

It is a statutory requirement of the investment contract industry to amortize any differences between the original cost of bonds and debentures and their par value over the period to maturity in such a manner as to equalize the yield to maturity. The bonds and debentures included in this category are carried at amortized cost and all other securities are carried at original cost.

Office Premises

The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated life. Furnishings, once they have been fully depreciated, are eliminated from the accounts.

Certificate Liabilities

Investment certificates entitle certificate holders to receive at maturity a definite sum of money. A portion of payments made by installment certificate holders is added to certificate liabilities and the balance to service fee income. The portion of the certificate payments added to certificate liabilities, when com-

bined with the interest compounded at government approved rates, will accumulate to equal the specified maturity value at the maturity date. The aggregate accumulated certificate liabilities always exceed the aggregate cash surrender values of the outstanding investment certificates.

Service Fee Income and Selling Expenses

On installment investment certificates, service fees received during the first year may exceed or be less than the aggregate of commissions paid to sales representatives and selling costs incurred. To achieve a better matching of income and expense, the differential is amortized over the first 60 months that installment certificates are in force.

On single payment certificates issued subsequent to October 22, 1979, first year commissions paid to sales representatives are amortized over the first 60 months that they are in force with all other selling expenses being charged against income in the year of sale. Annual service fees will not be paid on these certificates; however on the tenth anniversary of the certificates, a special commission is payable which is being provided for by an annual charge against income.

For single payment certificates issued prior to October 22, 1979, a portion of first year commissions was charged to income in the year of issue and the balance was amortized over 60 months.

Additional Credits

In addition to the guaranteed maturity and cash surrender values, certificate holders are entitled to additional amounts as declared by the Boards of Directors of the respective companies. Full provision has been made for all additional credits, both earned and accrued.

Income Taxes

The Company follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred as a result of claims made in excess of charges in the accounts for capital cost allowances, mortgage reserves and certificate selling costs.

The Investors Group

Notes to Consolidated Financial Statements

December 31, 1979

Note 2. Marketable Securities and Accrued Income

	1979		1978	
	Cost	Market	Cost	Market
Canadian government and corporate bonds and obligations.	\$ 74,426,509	\$ 63,365,942	\$ 85,526,689	\$ 77,906,767
Canadian preferred and common stocks. . . .	150,562,758	147,034,919	135,513,635	144,514,045
Aircraft certificates*.	5,115,820	5,115,820	5,421,318	5,421,318
	<u>\$230,105,087</u>	<u>\$215,516,681</u>	<u>\$226,461,642</u>	<u>\$227,842,130</u>

*Aircraft certificates represent part ownership of two aircraft leased to a major Canadian airline after deducting a liability of 11% serial debentures. The debentures amount to \$2,295,000, mature in 1991 and are secured by a mortgage on one aircraft and the related lease payments.

Note 3. Investment in Unconsolidated Subsidiaries

	<i>The Great-West Life Assurance Company</i>	<i>Montreal Trust Company</i>
Voting and equity interest.	95.8%	50.4%
Carrying value of investment, December 31, 1978.	\$216,961,490	\$35,011,989
Add (Deduct):		
Cost of shares acquired during the year.	189,010	
Share of net operating income.	38,686,694	3,017,462
Share of extraordinary items.	6,692,836	159,941
Share of net charges recorded in retained earnings of subsidiary.	(22,840,499)	
Dividends received.	(10,723,338)	(1,300,607)
Carrying value of investment, December 31, 1979.	<u>\$228,966,193</u>	<u>\$36,888,785</u>
Share of equity, December 31, 1979.	<u>\$243,193,987</u>	<u>\$28,603,609</u>

Note 4. Certificate Liabilities

As security for investment certificates issued by subsidiaries, assets which qualify as investments under the Canadian and British Insurance Companies Act having a value in excess of net certificate liabilities

must be lodged by each subsidiary with approved depositories. As at December 31, 1979 the aggregate excess was \$24,415,000.

Note 5. 9% Debentures, 1978 Series

The Debentures are due October 4, 1998 with a sinking fund requirement of \$1,500,000 per annum to commence October 4, 1984. Under certain circumstances the Company is required to purchase for cancellation up to \$800,000 of debentures per

annum, commencing October 4, 1979 for four years; the Company purchased for cancellation \$200,000 of debentures in 1979. Interest on the debentures for 1979 was \$3,948,106 (1978-\$963,150).

Note 6. Capital Stock

Authorized

- 1,287,152—5% cumulative redeemable preferred shares, 1969 Series—entitled to \$1.25 annual cumulative dividend; redeemable at \$25 per share.
- 2,400,000—cumulative redeemable preferred shares, 1978 Series—entitled to an annual cumulative dividend of \$1.50 to September 1, 1985 and thereafter at a floating rate equal to $\frac{1}{2}$ of the prime rate plus $1\frac{1}{4}\%$; redeemable on and after September 1, 1983 at \$26 per share to August 31, 1988, decreasing to \$25 $\frac{1}{4}$ per share during the period to August 31, 1991 and at \$25 per share thereafter.
- 20,000,000—voting common shares.
- 20,622,022—non-voting common Class A shares.

During the year the Company's act of incorporation was amended reclassifying the common convertible shares and the common Class B convertible shares as common shares and reclassifying the common Class A convertible shares and the common Class C convertible shares as common Class A shares.

Under the terms of the preferred shares, 1978 Series, the Company is required to purchase 168,000 shares at \$25 per share on September 1 in each of the years 1984 to 1993 inclusive. The holders of the shares outstanding on September 1, 1993 have the right to have the Company redeem them on that date; otherwise 20% of the shares then outstanding will be purchased by the Company on September 1 in each of the years 1994 to 1998.

Issued and Outstanding

	December 31, 1979		December 31, 1978	
	Shares	Amount	Shares	Amount
Preferred shares, 1969 Series.	1,287,152	\$32,178,800	1,296,260	\$32,406,500
Preferred shares, 1978 Series.	2,400,000	60,000,000	2,400,000	60,000,000
	3,687,152	\$92,178,800	3,696,260	\$92,406,500
Common shares.	6,842,105	\$ 342,105	6,842,105	\$ 342,105
Common Class A shares.	6,104,461	305,223	6,089,298	304,465
Surplus arising from conversion of preferred shares.		7,789,815		7,563,128
	12,946,566	\$ 8,437,143	12,931,403	\$ 8,209,698

During the year 9,108 convertible preferred shares were converted into 15,163 common Class A shares resulting in an increase of \$226,687 in surplus arising from conversion of such shares.

Note 7. Extraordinary Items

Details of these amounts are as follows:

	1979	1978
Net profit (loss) on investments net of income taxes recoverable		
\$240,770 (1978-\$1,922,046).	\$1,223,475	\$ (1,950,951)
Debentures and preferred stock issuance costs net of income taxes \$347,347. . .		(806,227)
Share of extraordinary items		
The Great-West Life Assurance Company.	6,692,836	2,123,496
Montreal Trust Company.	159,941	24,253
	\$8,076,252	\$ (609,429)

The Investors Group

Notes to Consolidated Financial Statements

December 31, 1979

Note 8. Other

a. Investors Mortgage Fund, a mutual fund managed by a subsidiary, invests in first mortgages on improved real estate in Canada. It is anticipated that there will always be ample cash and marketable securities in the Fund available to meet future withdrawals. However, should the withdrawals exceed available cash and marketable securities, The Investors Group has guaranteed to find a purchaser for (or failing to do so, purchase itself) sufficient mortgages at prices not less than 95% of the then prevailing market value thereof, to realize sufficient monies to enable the Trustee to meet all such withdrawals.

As at December 31, 1979 total assets of Investors Mortgage Fund were \$337,935,000 comprising \$32,356,000 cash and other liquid assets and \$305,579,000 in mortgages.

b. Included as charges against net income are the following:

	1979	1978
Depreciation and amortization.	\$711,058	\$529,423
Remuneration of directors and senior officers.	526,523	488,150

During 1977 the Board of Directors approved an executive incentive plan under which awards may become payable to officers of the Company, at the close of the five year period ending December 31, 1981. Payments of awards and the amount thereof are contingent on the attainment by the Company of certain earnings levels during the five year period. Provisions aggregating \$209,500 have been made in 1979 by the Company and a consolidated subsidiary for this contingency which are not included in the above remuneration figures.

c. Aggregate remuneration paid by the Company's unconsolidated subsidiaries to directors of the Company for services as directors or senior officers of the unconsolidated subsidiaries including the cost of pension benefits amounted to \$358,764 (1978-\$308,517).

Auditors' Report

To the Shareholders of The Investors Group

We have examined the consolidated balance sheet of The Investors Group as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For The Investors Group and the consolidated subsidiary companies, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For the unconsolidated subsidiary companies referred to in Note 3 of the financial statements and accounted for by the equity method, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, which insofar as it relates to the amounts included for companies not examined by us is based solely on the reports of other auditors, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles (except that, insofar as the net income of The Great-West Life Assurance Company is concerned, the accounting practices employed are those prescribed or permitted by the Department of Insurance of Canada) applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba, February 7, 1980

Deloitte, Haskins & Sells
Chartered Accountants

The Great-West Life Assurance Company

Summary of Operations

For the year ended December 31

INCOME

	1979	1978
Life insurance and annuity premiums.	\$ 818,032,476	\$ 680,890,615
Accident and health premiums.	415,678,777	335,058,627
Net investment income.	345,282,735	268,500,299
Net realized and unrealized capital gains on assets of segregated investment funds.	(5,135,088)	5,848,201
	<u>1,573,858,900</u>	<u>1,290,297,742</u>

BENEFITS AND EXPENSES

Life and annuity benefits.	368,078,495	296,233,818
Accident and health benefits.	366,483,809	287,712,485
Interest on funds on deposit.	17,080,068	14,778,828
Increase in policy reserves (<i>note 1g</i>).	547,876,732	463,931,940
Dividends to policyholders.	45,528,228	37,115,421
Total paid or credited to policyholders.	<u>1,345,047,332</u>	<u>1,099,772,492</u>
Commissions.	43,160,538	36,976,653
Operating expenses.	96,494,642	77,582,896
Premium taxes.	15,492,919	13,935,144
	<u>1,500,195,431</u>	<u>1,228,267,185</u>
Net operating income before income taxes.	73,663,469	62,030,557
Income taxes (<i>note 1e</i>).	<u>12,100,000</u>	<u>18,100,000</u>
Net income from operations.	61,563,469	43,930,557
Extraordinary items		
Realized gains/losses on sales of assets (<i>note 2</i>).	9,450,340	3,073,537
Prior years' income tax adjustment.	(5,700,000)	2,216,782
Prior years' policy reserve adjustment.	(150,060)	
Share of earnings of subsidiaries (<i>note 1f</i>).	2,334,393	368,833
Net income.	<u>\$ 67,498,142</u>	<u>\$ 49,589,709</u>

SUMMARY OF NET INCOME (*note 1h*)

ATTRIBUTABLE TO PARTICIPATING POLICYHOLDERS

Net income before policyholder dividends.	\$ 66,683,101	\$ 47,204,963
Policyholder dividends.	45,528,228	37,115,421
Net income from operations.	21,154,873	10,089,542
Extraordinary items.	(1,056,065)	2,225,513
Net income—participating policyholders.	<u>\$ 20,098,808</u>	<u>\$ 12,315,055</u>

ATTRIBUTABLE TO SHAREHOLDERS

Net income from operations.	\$ 40,408,596	\$ 33,841,015
Extraordinary items.	6,990,738	3,433,639
Net income—shareholders.	<u>\$ 47,399,334</u>	<u>\$ 37,274,654</u>
Earnings per share		
From operations.	\$ 20.20	\$ 16.92
Including extraordinary items.	\$ 23.69	\$ 18.63

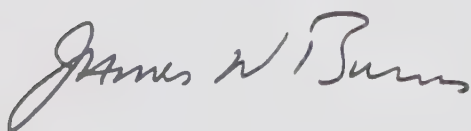
The Great-West Life Assurance Company

Balance Sheet

As at December 31

ASSETS	1979	1978
BONDS (note 1a).	\$1,117,018,273	\$ 934,889,372
STOCKS (note 1b).	254,960,657	317,015,712
MORTGAGES AND SALE AGREEMENTS (note 1a).	1,696,354,326	1,412,549,812
REAL ESTATE (note 1c).	315,539,128	275,177,974
LOANS TO POLICYHOLDERS.	218,192,583	189,921,241
CASH AND CERTIFICATES OF DEPOSIT.	80,439,709	27,370,689
PREMIUMS IN COURSE OF COLLECTION.	70,493,634	67,949,264
INTEREST DUE AND ACCRUED.	46,229,999	37,013,302
SEGREGATED INVESTMENT FUNDS (note 1d).	463,710,674	383,716,638
OTHER ASSETS.	133,208,530	44,818,385
	<u>\$4,396,147,513</u>	<u>\$3,690,422,389</u>

Approved by the Board of Directors



Director



Director

LIABILITIES

1979

1978

POLICY BENEFIT LIABILITIES

Policy reserves (<i>note 1g</i>).	\$2,805,388,244	\$2,353,188,319
Segregated investment funds.	463,710,674	383,716,638
Provision for claims.	236,029,112	186,218,066
Provision for 1980 policyholders' dividends.	44,213,000	36,802,000
Provision for experience rating refunds.	40,156,000	36,803,000

	3,589,497,030	2,996,728,023
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POLICYHOLDERS' FUNDS.	206,401,525	192,338,716
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OTHER LIABILITIES.	87,169,294	56,155,126
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	3,883,067,849	3,245,221,865
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SPECIAL RESERVES APPROPRIATED FROM SURPLUS (<i>note 3</i>).	139,361,039	94,817,988
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CAPITAL STOCK

Authorized, issued and fully paid— 2,000,000 common shares of \$1 par value.	2,000,000	2,000,000
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UNAPPROPRIATED SURPLUS

Participating policyholders.	119,758,241	108,764,376
Shareholders.	251,960,384	239,618,160

	371,718,625	348,382,536
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	\$4,396,147,513	\$3,690,422,389
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The Great-West Life Assurance Company

Statement of Unappropriated Surplus

For the year ended December 31, 1979

	Participating Policyholders	Shareholders	Total
Balance January 1.	\$108,764,376	\$239,618,160	\$348,382,536
Add:			
Total net income for year from summary of operations.	20,098,808	47,399,334	67,498,142
Deduct:			
Dividends to shareholders.		11,200,000	11,200,000
Changes in special reserves appropriated from surplus			
Investment valuation and currency reserve—net.	2,517,712	15,808,543	18,326,255
Reserve for cash value deficiencies and amounts of negative reserves.	5,032,481	2,513,492	7,545,973
Reserve for miscellaneous assets.	1,554,750	5,535,075	7,089,825
Balance December 31.	<u>\$119,758,241</u>	<u>\$251,960,384</u>	<u>\$371,718,625</u>

Notes to Financial Statements

December 31, 1979

Note 1.

Significant Accounting Practices

The accounting practices followed by the Company are as prescribed or permitted by the Department of Insurance of Canada for the purpose of reporting to policyholders and shareholders.

- Investments in bonds, debentures and mortgages (debt securities) are basically carried at amortized cost with the securities of the life account adjusted by the unamortized balance of losses or gains on sales of securities. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold.
- Investments in stocks (equity securities) in the life account are carried at cost less an adjustment which consists of realized gains and losses as well as a market value adjustment which is a portion of the difference between adjusted book value and year-end market value of all equity securities. The adjustment at December 31, 1979 amounted to \$69,359,586. Equity investments in respect of the accident and health business are carried at cost.
- Real estate held for investment is carried at cost of \$584,536,491 less accumulated depreciation of \$171,222,144 and mortgage liabilities of \$97,775,219.
- Investments held for segregated investment funds are carried at market value.
- Income taxes are calculated using the deferred-tax method. The balance of deferred income taxes included in other liabilities at December 31, 1979 was \$20,233,067.
- Income from subsidiaries is included in these statements under the equity method of accounting.
- Policy reserves represent the amount required, together with future premiums and investment income, to provide for future benefits, administrative expenses and taxes on insurance and annuity policies. Policy reserves are calculated using assumptions appropriate to the policies in force and recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was \$73,326,728 at December 31, 1979.
- Net income includes earnings of the participating, non-participating and health insurance accounts. Earnings applicable to shareholders include net earnings of the non-participating and the health accounts and 2½%, as restricted by law, of the distributions from the participating account.

Note 2.

Realized gains (losses) on sales of assets shown as an extraordinary item in net income include the results of:

- (i) all disposals of assets of the accident and health account;
- (ii) disposals of real estate in the life account; and
- (iii) gains due to foreign exchange transactions.

Note 3.

The special reserves appropriated from surplus are a requirement of the Department of Insurance of Canada.

At December 31, the components were as follows:

	1979	1978
Participating account		
Investment valuation and currency reserve—net.	\$ 7,618,267	\$ 5,100,555
Reserve for cash value deficiencies and amounts of negative reserves.	37,999,623	15,937,142
Reserve for miscellaneous assets.	10,906,068	9,351,319
	<u>\$56,523,958</u>	<u>\$30,389,016</u>
Non-participating and health accounts		
Investment valuation and currency reserve—net.	\$21,896,461	\$ 6,087,919
Reserve for cash value deficiencies and amounts of negative reserves.	32,287,026	30,908,534
Reserve for miscellaneous assets.	28,653,594	27,432,519
	<u>\$82,837,081</u>	<u>\$64,428,972</u>

Clarification of the requirements of the 1978 amendments to the Canadian and British Insurance Companies Act has resulted in revisions to the 1978 calculations of the Reserve for cash value deficiencies

and the Reserve for miscellaneous assets. The 1979 balances reflect these changes in addition to the amounts shown in the Statement of Unappropriated Surplus.

Note 4.

Transactions in United States currency are recorded dollar for dollar with Canadian.

Conversion to Canadian dollars of the excess of United States dollar assets over United States dollar liabilities at the rate of exchange prevailing at December 31, 1979 would have produced an increase

in net assets of approximately \$31,464,000. In accordance with reporting requirements, this amount is reflected in the balance sheet by a reduction in the investment valuation reserve shown in note 3 and an increase in unappropriated surplus.

The Great-West Life Assurance Company

Valuation Actuary's Certificate

To the Policyholders, Shareholders,
and Directors of
The Great-West Life Assurance Company

I have made the valuation of the policy benefit liabilities of The Great-West Life Assurance Company for its balance sheet at 31 December, 1979 and its summary of operations for the year then ended. In my opinion: i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries; ii) the amount of the

policy benefit liabilities makes proper provision for the future payments under the Company's policies; iii) a proper charge on account of those liabilities has been made in the summary of operations; and iv) the amount of surplus appropriation for policies whose cash value exceeds the policy benefit liability is proper.

J.O. Parsonage, F.S.A., F.C.I.A., M.A.A.A.
Vice-President and Actuary

January 30, 1980

Auditors' Report

To the Policyholders, Shareholders
and Directors of
The Great-West Life Assurance Company

We have examined the balance sheet of The Great-West Life Assurance Company as at December 31, 1979 and the related summary of 1979 operations and the statement of unappropriated surplus for the year 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations for the year then ended in accordance with the accounting practices described in note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba, January 31, 1980

Price Waterhouse & Co.
Chartered Accountants

Montreal Trust Company

Condensed Financial Statements

CONDENSED INCOME STATEMENT

	1979	1978
Interest from mortgages.	\$ 80,748,000	\$ 68,071,000
Fees and commissions.	33,423,000	29,323,000
Real estate commissions.	24,775,000	20,153,000
Other interest, dividends and other income.	32,779,000	27,334,000
	171,725,000	144,881,000
Interest paid.	96,165,000	77,578,000
Operating and other expenses.	68,495,000	57,168,000
Income taxes.	1,074,000	3,096,000
	165,734,000	137,842,000
Net operating income.	\$ 5,991,000	\$ 7,039,000
Earnings per share.	\$ 2.32	\$ 2.73
Dividends declared per share.	\$ 1.00	\$ 1.00
Investors' share of earnings*.	\$ 3,017,000	\$ 3,548,000
Book value of Investors' investment in Montreal Trust—year-end.	\$ 36,889,000	\$ 35,012,000

*excludes share of extraordinary items of \$160,000 in 1979 and \$24,000 in 1978

CONDENSED BALANCE SHEET

Cash, bank deposits and secured loans.	\$ 154,859,000	\$ 70,440,000
Securities.	185,862,000	193,547,000
Mortgages and other investments.	836,878,000	735,423,000
Premises and equipment.	14,966,000	14,316,000
Other assets.	13,231,000	12,992,000
Total Assets.	\$1,205,796,000	\$1,026,718,000
Guaranteed Trust Accounts		
Deposits.	\$ 313,991,000	\$ 253,858,000
Investment certificates.	814,068,000	701,090,000
	1,128,059,000	954,948,000
Other liabilities.	20,923,000	18,738,000
Shareholders' equity.	56,814,000	53,032,000
Total Liabilities.	\$1,205,796,000	\$1,026,718,000

Consolidated-Bathurst Inc.

Condensed Financial Statements

CONDENSED INCOME STATEMENT

	1979	1978
Net sales.	\$1,244,312,000	\$1,078,843,000
Other income.	10,374,000	8,617,000
	<u>1,254,686,000</u>	<u>1,087,460,000</u>
Cost of goods sold, including depreciation.	994,993,000	881,852,000
Administrative and selling expenses.	76,211,000	72,474,000
Interest and provision for exchange charges.	28,023,000	37,370,000
Income taxes.	57,058,000	36,350,000
Minority interest.	142,000	267,000
	<u>1,156,427,000</u>	<u>1,028,313,000</u>
Earnings before extraordinary items.	\$ 98,259,000	\$ 59,147,000
Earnings per common share.	\$ 4.27	\$ 2.60
Dividends per common share.	\$ 1.00	\$ 0.75
Power Corporation's share of earnings*.	\$ 35,501,000	\$ 21,617,000
Book value of Power's investment in Consolidated-Bathurst— year-end.	\$ 175,269,000	\$ 146,419,000

*excludes share of extraordinary items of \$1,663,000 in 1979 and \$582,000 in 1978.

CONDENSED BALANCE SHEET

Current assets.	\$ 476,390,000	\$ 422,229,000
Property and plant—net.	435,085,000	392,112,000
Investments and other assets.	80,379,000	58,603,000
Total Assets.	<u>\$ 991,854,000</u>	<u>\$ 872,944,000</u>
Current liabilities.	\$ 186,757,000	\$ 159,088,000
Long-term debt.	231,950,000	228,231,000
Deferred income taxes and provisions.	166,462,000	150,349,000
Minority interest and preferred equity.	48,144,000	49,111,000
Common shareholders' equity.	358,541,000	286,165,000
Total Liabilities.	<u>\$ 991,854,000</u>	<u>\$ 872,944,000</u>

Board of Directors

**Wilbrod Bherer, C.M., Q.C.	President, Tele-Capital Ltd.
*James W. Burns	President of the Company
**Alfredo F. Campo	Company Director <i>Retiring May 2, 1980</i>
*Peter D. Curry	Deputy Chairman of the Company
*Paul Desmarais, O.C.	Chairman and Chief Executive Officer of the Company
Gérard Eskenazi	Managing Director, Compagnie Financière de Paris et des Pays-Bas
William M. Fuller	Partner, Wm. & A. P. Fuller
Pierre Genest, Q.C.	Partner, Cassels, Brock
Jean-Paul Gignac, O.C.	Executive
*Roland Giroux, C.C.	Company Director
Pierre Haas	Chairman, Paribas International
Robert H. Jones	President and Chief Executive Officer, The Investors Group
*Arthur F. Knowles, C.A.	Senior Vice-President of the Company
Paul E. Martin	President and Chief Executive Officer, The CSL Group Inc.
*W. Earle McLaughlin	Chairman of the Board, The Royal Bank of Canada
Paul Britton Paine, Q.C.	Chairman of the Board and President, Montreal Trust Company
John G. Porteous, Q.C.	Partner, Ogilvy, Renault
Claude Pratte, Q.C.	Partner, Létourneau & Stein
**The Hon. John P. Robarts, P.C., C.C., Q.C.	Partner, Stikeman, Elliott, Robarts & Bowman
*Robert C. Scrivener	Company Director
William E. Simon	Senior Consultant, Blyth Eastman Paine Webber Inc.
Peter N. Thomson	Chairman, TIW Industries Ltd.
*William I. M. Turner, Jr.	President and Chief Executive Officer, Consolidated-Bathurst Inc.

Officers

Paul Desmarais, O.C.	Chairman and Chief Executive Officer
Peter D. Curry	Deputy Chairman
James W. Burns	President
Arthur F. Knowles, C.A.	Senior Vice-President
Claude Bruneau	Vice-President
Daniel Johnson	Vice-President and Secretary
Paul E. Martin	Vice-President
John A. Rae	Vice-President
Frederick D. Sneider	Vice-President
André Gervais, C.G.A.	Controller
Paul Morimanno, C.A.	Treasurer

*Members of the Executive Committee

**Members of the Audit Committee

Power Corporation of Canada, Limited

Head Office	759 Victoria Square, Montréal, Québec H2Y 2K4
Transfer Agent and Registrar	Montreal Trust Company, Montréal, Toronto, Calgary, Vancouver
Stock Listings	
Common Shares	Montreal, Toronto and Vancouver Stock Exchanges
Participating Preferred Shares	Montreal Stock Exchange
First Preferred Shares	Montreal and Toronto Stock Exchanges

Si vous préférez recevoir le rapport de Power Corporation en français, veuillez vous adresser au Secrétaire, Power Corporation of Canada, Limited, 759 Square Victoria, Montréal, Québec H2Y 2K4

Principal Subsidiary and Affiliated Companies

Canada Steamship Lines Inc. Montréal, Québec	The Investors Group Winnipeg, Manitoba
Voyageur Enterprises Limited Montréal, Québec	The Great-West Life Assurance Company Winnipeg, Manitoba
Kingsway Transports Limited Dorval, Québec	Montreal Trust Company Montréal, Québec
Canadian Shipbuilding & Engineering Limited Collingwood, Ontario	Consolidated-Bathurst Inc. Montréal, Québec



Formed in 1925, Power Corporation of Canada, Limited has grown from a holding company investing in Canadian electrical utilities and a net income of under \$250,000 to an operating corporation with interests in transportation, shipbuilding, financial services, forest products and packaging, and newspapers, generating profits approaching \$100 million. As the Company's recent history shows, Power Corporation actively seeks out new opportunities to widen its participation in a growing number of economic activities, and it will continue to do so in the years to come.

Power Corporation's investment in transportation and shipbuilding is managed by The CSL Group Inc. Financial services interests are represented by three major companies: The Investors Group, Great-West Life and Montreal Trust. The forest products and packaging industries are centred in the Consolidated-Bathurst group of companies. The Company has an investment in Gesca Ltée, a newspaper publisher in Quebec.

While Power Corporation's ultimate responsibility to its

shareholders is to provide a fair return on their investment, a primary objective is to select and develop management in each operating unit with the skills and expertise capable of building and maintaining well managed companies within the free enterprise system.

The Company operates on a decentralized basis, with the chief executive officer of each subsidiary and affiliated company responsible to its board of directors for the progressive and profitable management of the company.

Power Corporation monitors the performance of each of the companies, analyses financial results and participates, through its board representatives, in major management decisions.

Power Corporation is proud of the results it has achieved over the years. The companies in the group have strong and capable management. It is largely due to their efforts, and to those who make up the workforce within each of the companies, that Power Corporation's earnings performance has been so satisfactory in recent years.

AR37



**Power
Corporation
of Canada,
Limited**

**Interim Report
June 30th, 1979**

Power Corporation of Canada, Limited

Statement of Consolidated Earnings

[Unaudited]

	(Thousands)			
	Three months ended June 30		Six months ended June 30	
	1979	1978 <i>Restated*</i>	1979	1978 <i>Restated*</i>
Gross revenue from operations	<u>\$81,416</u>	<u>\$75,197</u>	<u>\$115,344</u>	<u>\$109,070</u>
Earnings from operations	\$ 8,466	\$ 8,906	\$ 6,986	\$ 8,343
Share of earnings of subsidiary and affiliated companies	23,364	9,817*	38,755	13,310*
Income from investments	<u>2,640</u>	<u>1,059</u>	<u>5,161</u>	<u>2,124</u>
	<u>34,470</u>	<u>19,782</u>	<u>50,902</u>	<u>23,777</u>
Interest on long-term debt	4,738	3,961	9,495	5,759
Provision for depreciation	3,846	4,108	5,059	5,246
Provision for income taxes	<u>2,021</u>	<u>599</u>	<u>1,336</u>	<u>(426)</u>
	<u>10,605</u>	<u>8,668</u>	<u>15,890</u>	<u>10,579</u>
Earnings before extraordinary items	23,865	11,114	35,012	13,198
Extraordinary items	<u>3,006</u>	<u>1,350*</u>	<u>4,217</u>	<u>1,393*</u>
Net earnings	<u>\$26,871</u>	<u>\$12,464</u>	<u>\$ 39,229</u>	<u>\$ 14,591</u>
Earnings per 15¢ participating preferred and common share***				
Before extraordinary items	\$0.93	\$0.43	\$1.35	\$0.48
After extraordinary items	\$1.04	\$0.48	\$1.52	\$0.54

* Includes \$1,009,000 share of earnings and \$765,000 share of extraordinary items attributable to the change in the basis of accounting by The Great-West Life Assurance Company, a subsidiary of The Investors Group.

** Includes \$1,570,000 share of earnings and \$808,000 share of extraordinary items attributable to the change in the basis of accounting by The Great-West Life Assurance Company, a subsidiary of The Investors Group.

*** The 15¢ participating preferred and common shares were split two for one on June 15, 1979. In the comparative figures for 1978, earnings per 15¢ participating preferred and common share have been restated to reflect the stock split.

Statement of Changes in Consolidated Financial Position

[Unaudited]

	(Thousands)	
	Six months ended June 30	
	1979	1978 <i>Restated</i>
Source of Funds		
From operations		
Earnings before extraordinary items	\$ 35,012	\$ 13,198
Non cash charges (credits)		
Provision for depreciation	5,059	5,246
Deferred income taxes	1,006	(782)
Earnings not received in cash	(31,216)	(8,579)
	9,861	9,083
Disposal of fixed assets	2,819	2,157
Disposal of investments	21,697	1,545
Decrease in advances to trustees of share purchase plans	—	3,297
Issue of long-term debt	—	162,800
	<u>34,377</u>	<u>178,882</u>
Use of Funds		
Additions to fixed assets	2,014	644
Purchase of investments	12,674	114,324
Reduction of long-term debt	9,422	12,175
Redemption of preferred shares series A	229	39,001
Acquisition of 4¾% preferred shares for cancellation	866	—
Dividends – preferred shares 1965 series	495	542
– preferred shares series A	1	294
– participating preferred shares	834	417
– common shares	6,821	3,342
Miscellaneous	1,775	2,079
	<u>35,131</u>	<u>172,818</u>
(Decrease) Increase in Working Capital	\$ (754)	\$ 6,064

To the Shareholders

The consolidated earnings before extraordinary items of Power Corporation of Canada, Limited for the three months ended June 30, 1979 amounted to \$23,865,000, compared with \$11,114,000 (restated) for the three months ended June 30, 1978. These consolidated earnings, after providing for dividends on non-participating preferred shares, are equivalent to 93 cents as against 43 cents (restated) per participating preferred and common share for the same period last year. Gross revenue from operations was \$81,416,000, compared with \$75,197,000 in the second quarter last year. Earnings from operations were \$8,466,000, compared with \$8,906,000 for the same period in 1978, while the Company's share of earnings of unconsolidated subsidiary and affiliated companies was \$23,364,000, compared with \$9,817,000 (restated) last year. After allowing for the extraordinary gains of \$3,006,000 in the second quarter, compared with \$1,350,000 (restated) last year, the earnings are equivalent to \$1.04 per participating preferred and common share as against 48 cents (restated) in 1978. The restatement of the 1978 results is attributable to the change in the basis of accounting by The Great-West Life Assurance Company, a subsidiary of The Investors Group, as required by the Department of Insurance of Canada. The earnings per share for 1978 have also been restated to reflect the two-for-one stock split of June 15, 1979.

For the six months ended June 30, 1979, the consolidated earnings before extraordinary items were \$35,012,000, compared with \$13,198,000 (restated) for the six months ended June 30, 1978. These consolidated earnings, after providing for dividends on non-participating preferred shares, are equivalent to \$1.35 as against 48 cents (restated) per participating preferred and common share for the comparable prior year period. Gross revenue from operations was \$115,344,000 in 1979, compared with \$109,070,000 in 1978. Earnings from operations were \$6,986,000, compared with \$8,343,000 for the first six months of last year. The share of earnings of the Company's unconsolidated subsidiary and affiliated companies was \$38,755,000 this year, compared with \$13,310,000 (restated) in 1978. After allowing for extraordinary

gains of \$4,217,000, compared to \$1,393,000 for the first half of 1978, the earnings are equivalent to \$1.52 per participating preferred and common share, as against 54 cents (restated) last year.

The Board of Directors today declared the regular quarterly dividend on the first preferred shares. Dividends of 20 cents per share on the participating preferred shares and on the common shares were also declared in respect of the quarter ending September 30, 1979, and will be payable September 28, 1979 to shareholders of record as at the close of business on September 14, 1979. This represents an increase of 5 cents per quarter per participating preferred share and common share.

On behalf of the Board

Paul Desmarais
Chairman and Chief Executive Officer

Montreal, August 15, 1979.